

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2005



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DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

**OFFICIALS**

| <u>Name</u>  | <u>Title</u>   | <u>Term Expires</u> |
|--|----------------|---------------------|
| <b>Board of Education</b><br>(Before September, 2004 Election) |                |                     |
| Dolores Altheide   | President      | 2006                |
| Marty Owen   | Vice President | 2005                |
| Matt Greiner   | Board Member   | 2004                |
| Sheila Westegard   | Board Member   | 2004                |
| Rob Melvin   | Board Member   | 2005                |
| Kenneth Wutrich  | Board Member   | 2005                |
| Edward Reese, Jr.  | Board Member   | 2006                |

**Board of Education**  
(After September, 2004 Election)

|                   |                |      |
|-------------------|----------------|------|
| Dolores Altheide  | President      | 2006 |
| Marty Owen        | Vice President | 2005 |
| Rob Melvin        | Board Member   | 2005 |
| Kenneth Wutrich   | Board Member   | 2005 |
| Edward Reese, Jr. | Board Member   | 2006 |
| Rita Grob         | Board Member   | 2007 |
| Rod Lynch         | Board Member   | 2007 |

**School Officials**

|               |  |            |
|---------------|--|------------|
| Anne Morgan   | Superintendent                                       | 2005       |
| Betsy Bassett | District Secretary/Treasurer<br>and Business Manager | 2005       |
| Sue Seitz     | Attorney   | Indefinite |
| Rick Lynch    |  |            |



### Independent Auditor's Report

To the Board of Education  
Davis County Community School District  
Bloomfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, and its aggregate discretely presented component units, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District and its aggregate discretely presented component units at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2005 on our consideration of Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen & Associates, P.C.*

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 9, 2005

## **Davis County Community School's Management Discussion & Analysis**

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

- The District managed two federal grants this year along with using sales tax revenue to match one of these grants. Over \$1 million in projects were completed in the summer/fall of 2004 and 2005. One grant was the Harkin Construction Grant for \$800,000, and another was the Harkin Fire Safety Grant of \$100,000. In addition, we received the Reading 1<sup>st</sup> Grant a second year for \$199,000.
- This was the first year of sales tax receipts. The District received \$430,000 from revenue in Davis County plus \$110,000 from the state pool established for counties below the state average.
- A few years ago, Ruth Bond McCollum bequeathed to the District approximately \$400,000 with interest earned. The board used this money this past year to purchase the former IntelliSel building from Citizen's Mutual Telephone Company for \$400,000. Then, with the fire safety grant and sales tax revenue, the building was remodeled for use this fall. This money had been held in the general fund; thus, the overall general fund balance decreased when the payment was made.
- This year, we also continued to utilize some of the food service balance to update equipment.
- Then, two areas that the board/administration felt needed extra support included professional development for improvement in reading and mathematics; and the second area was some needed equipment, textbooks, and counters in the science department.

### **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

*Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

*Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

## **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

*Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

*Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund; Special Revenue Funds; and Debt Service Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, school nutrition program.



*Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-3 below provides a summary of the District's net assets at June 30, 2005, compared to June 30, 2004.

You will note a decrease in restricted and unrestricted funds; this is the expenditure of the McCollum bequest, early retirement commitments, and infrastructure projects.

| <b>Figure A-3</b><br><b>Condensed Statement of Net Assets</b><br><b>(Expressed in Thousands)</b> |                            |        |                             |      |                   |        |                 |
|--|----------------------------|--------|-----------------------------|------|-------------------|--------|-----------------|
|  | Governmental<br>Activities |        | Business type<br>Activities |      | Total<br>District |        | Total<br>Change |
|  | June 30,                   |        | June 30,                    |      | June 30,          |        | June 30,        |
|  | 2005                       | 2004   | 2005                        | 2004 | 2005              | 2004   | 2004-2005       |
| Current and other assets   | \$ 7,948                   | 7,903  | 116                         | 167  | 8,064             | 8,070  | -0.1%           |
| Capital assets   | 4,776                      | 4,714  | 128                         | 68   | 4,904             | 4,782  | 2.6%            |
| Total assets   | 12,724                     | 12,617 | 244                         | 235  | 12,968            | 12,852 | 0.9%            |
| Long-term liabilities  | 2,576                      | 2,219  | -                           | -    | 2,576             | 2,219  | 16.1%           |
| Other liabilities  | 5,391                      | 4,749  | -                           | 2    | 5,391             | 4,751  | 13.5%           |
| Total liabilities  | 7,967                      | 6,968  | -                           | 2    | 7,967             | 6,970  | 14.3%           |
| Net assets:  |                            |        |                             |      |                   |        |                 |
| Invested in capital assets,<br>net of related debt   | 3,898                      | 3,479  | 128                         | 68   | 4,026             | 3,547  | 13.5%           |
| Restricted   | 433                        | 912    | -                           | -    | 433               | 912    | -52.5%          |
| Unrestricted   | 426                        | 1,258  | 116                         | 165  | 542               | 1,423  | -61.9%          |
| Total net assets   | \$ 4,757                   | 5,649  | 244                         | 233  | 5,001             | 5,882  | -15.0%          |

## Financial Analysis of the District as a Whole

The District has strong fund balances. Experts in school finance recommend a solvency ratio between 8-15%; the District is above that. The District has determined needs in several areas, and is carefully utilizing existing excess balances in fund to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs, and maintaining a quality staff.

Figure A-4 shows the change in net assets for the year ended June 30, 2005.

| <b>Figure A-4</b>                                       |                            |               |                             |            |                     |               |
|---|----------------------------|---------------|-----------------------------|------------|---------------------|---------------|
| <b>Changes in Net Assets</b>                            |                            |               |                             |            |                     |               |
| <b>(Expressed in Thousands)</b>                         |                            |               |                             |            |                     |               |
|   | Governmental<br>Activities |               | Business type<br>Activities |            | Total<br>District   |               |
|   | Year ended June 30,        |               | Year ended June 30,         |            | Year ended June 30, |               |
|   | 2005                       | 2004          | 2005                        | 2004       | 2005                | 2004          |
| Revenues:   |                            |               |                             |            |                     |               |
| Program revenues:                                       |                            |               |                             |            |                     |               |
| Charges for service                                     | \$ 838                     | 707           | 211                         | 211        | 1,049               | 918           |
| Operating grants, contributions and restricted interest | 1,694                      | 1,401         | 213                         | 211        | 1,907               | 1,612         |
| Capital grants, contributions and restricted interest   | 486                        | -             | -                           | -          | 486                 | -             |
| General revenues:                                       |                            |               |                             |            |                     |               |
| Property tax  | 2,917                      | 2,868         | -                           | -          | 2,917               | 2,868         |
| Local option sales and service tax                      | 381                        | -             | -                           | -          | 381                 | -             |
| Unrestricted state grants                               | 4,800                      | 4,419         | -                           | -          | 4,800               | 4,419         |
| Unrestricted investment earnings                        | 80                         | 58            | 2                           | -          | 82                  | 58            |
| Other   | 17                         | 35            | -                           | -          | 17                  | 35            |
| Total revenues  | <u>11,213</u>              | <u>9,488</u>  | <u>426</u>                  | <u>422</u> | <u>11,639</u>       | <u>9,910</u>  |
| Program expenses:                                       |                            |               |                             |            |                     |               |
| Governmental activities:                                |                            |               |                             |            |                     |               |
| Instruction   | 7,641                      | 6,862         | -                           | -          | 7,641               | 6,862         |
| Support services  | 3,104                      | 2,927         | -                           | -          | 3,104               | 2,927         |
| Non-instructional programs                              | 8                          | 8             | 416                         | 396        | 424                 | 404           |
| Other expenses  | 1,352                      | 509           | -                           | -          | 1,352               | 509           |
| Total expenses  | <u>12,105</u>              | <u>10,306</u> | <u>416</u>                  | <u>396</u> | <u>12,521</u>       | <u>10,702</u> |
| Change in net assets                                    | <u>\$ (892)</u>            | <u>(818)</u>  | <u>10</u>                   | <u>26</u>  | <u>(882)</u>        | <u>(792)</u>  |

In the 2004-05 school year, the District did considerable maintenance work, utilizing savings in the Physical Plant and Equipment (PPEL) fund, sales tax revenues, a fire safety grant, and a construction grant. Two years of sales tax revenue were pledged to these projects. In addition, the District has a commitment to early retirement payments.

The following table, A-5, presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

| <b>Figure A-5</b>                                    |                           |                         |
|--|---------------------------|-------------------------|
| <b>Total and Net Cost of Governmental Activities</b> |                           |                         |
| <b>(Expressed in Thousands)</b>                      |                           |                         |
|  | Total Cost<br>of Services | Net Cost<br>of Services |
| Instruction  | \$ 7,641                  | 5,465                   |
| Support services                                     | 3,104                     | 3,104                   |
| Non-instructional programs                           | 8                         | 8                       |
| Other expenses                                       | <u>1,352</u>              | <u>511</u>              |
| Totals   | <u>\$ 12,105</u>          | <u>9,088</u>            |

The cost of all governmental activities this year was \$12,105,000.

The portion of the cost financed by users of the District's programs was \$838,000.

The federal and state government (and private contributors) subsidized certain programs with grants and contributions totaling \$1,694,000.

The net cost portion of governmental activities was financed with \$2,917,000 in property tax, \$4,800,000 in state foundation.

### **Business Type Activities**

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Revenues of the District's business-type activities increased by \$2,897 to \$425,953 while expenses increased by \$19,906 to \$416,238.

The District has been able to maintain student lunch prices at the same level for several years with careful management and use of government commodities. We have utilized investments to update equipment for two years in a row.

### **Financial Analysis of the District's Funds**

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Fund Highlights**

The General Fund balance decreased. The McCollum bequest being used and extra expenditures for the science department were the main reasons for the decrease.

The Physical Plant and Equipment Levy (PPEL) and sales tax revenues were utilized for many of the items of remodeling and updating done this past year on infrastructure needs as well as a match for the construction grant.

### **Business Type Fund Highlights**

The School Nutrition Fund balance increased \$2,897.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis. The District has not amended its budget for many years. However, for the 2005 budget year, the District should have officially amended the budget to account for increased capital expenditures from investments.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the District. The maximum authorized budget is the total “spending authority” in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash”. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The District was within the certified budget in instruction and support services but was over in “noninstruction” and “other” categories. Revenues were available in savings for maintenance projects, but the amount of investments utilized were not originally budgeted in the “other” category; in the noninstruction category, funds were available but expenses had not been budgeted for commodities on hand at the end of the year nor depreciation costs in the food service department that were accrued after the auditors made adjusting entries.

### Capital Asset and Debt Administration

Capital Assets, Figure A-6, provides a summary of the District's capital.

| <b>Figure A-6</b><br><b>Capital Assets, net of Depreciation</b><br><b>(Expressed in Thousands)</b> |                            |       |                             |      |                   |       |                 |
|--|----------------------------|-------|-----------------------------|------|-------------------|-------|-----------------|
|  | Governmental<br>Activities |       | Business type<br>Activities |      | Total<br>District |       | Total<br>Change |
|  | June 30,                   |       | June 30,                    |      | June 30,          |       | June 30,        |
|  | 2005                       | 2004  | 2005                        | 2004 | 2005              | 2004  | 2004-2005       |
| Land   | \$ 107                     | 107   | -                           | -    | 107               | 107   | 0.0%            |
| Construction in progress   | 283                        | 81    | -                           | -    | 283               | 81    |                 |
| Buildings  | 3,353                      | 3,464 | -                           | -    | 3,353             | 3,464 | -3.2%           |
| Improvements other than buildings  | 753                        | 818   | -                           | -    | 753               | 818   | -7.9%           |
| Furniture and equipment  | 280                        | 244   | 128                         | 68   | 408               | 312   | 30.8%           |
| Totals   | \$ 4,776                   | 4,714 | 128                         | 68   | 4,904             | 4,782 | 2.6%            |

By the end of fiscal 2005, the District had invested \$4,904,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. Depreciation expense for the year was approximately \$262,783.

### Long-Term Debt

Figure A-7 provides a summary of the District's long term debt.

| <b>Figure A-7</b><br><b>Outstanding Long-Term Obligations</b><br><b>(Expressed in Thousands)</b> |                   |       |                 |
|--|-------------------|-------|-----------------|
|  | Total<br>District |       | Total<br>Change |
|  | June 30,          |       | June 30,        |
|  | 2005              | 2004  | 2004-2005       |
| General obligation bonds   | \$ 995            | 1,235 | -19.4%          |
| Early retirement   | 1,581             | 984   | 60.7%           |
| Totals   | \$ 2,576          | 2,219 | 16.1%           |

At year-end, the District had \$2,576,000 in general obligation debt and other long-term debt outstanding. This represents an increase of \$357,000 from last year. This was due to a large number of staff on early retirement.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Approved capital projects
- Changes in certified enrollment
- Approved debt that has not had an impact yet on the District's overall financial condition (early retirement)
- Employee contract settlements
- An assessment from ISEBA on health insurance

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community Schools, 608 S. Washington Street, Bloomfield, Iowa 52537.

## **Basic Financial Statements**

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2005

|  | Governmental<br>Activities | Business type<br>Activities | Total             | Component<br>Units |
|--|----------------------------|-----------------------------|-------------------|--------------------|
| <b>Assets</b>  |                            |                             |                   |                    |
| Cash and cash equivalents                                | \$ 4,551,872               | 73,810                      | 4,625,682         | 22,734             |
| Receivables:   |                            |                             |                   |                    |
| Property tax:  |                            |                             | -                 | -                  |
| Delinquent   | 63,661                     | -                           | 63,661            | -                  |
| Succeeding year  | 3,057,176                  | -                           | 3,057,176         | -                  |
| Accounts   | 1,354                      | -                           | 1,354             | -                  |
| Due from other governments                               | 273,952                    | 20,903                      | 294,855           | -                  |
| Inventories  | -                          | 20,986                      | 20,986            | -                  |
| Capital assets, net of accumulated depreciation (note 3) | 4,776,355                  | 127,590                     | 4,903,945         | -                  |
| <b>Total assets</b>                                      | <b>12,724,370</b>          | <b>243,289</b>              | <b>12,967,659</b> | <b>22,734</b>      |
| <b>Liabilities</b>                                       |                            |                             |                   |                    |
| Excess of warrants over bank balance                     | 774,095                    | -                           | 774,095           | -                  |
| Accounts payable   | 541,164                    | -                           | 541,164           | -                  |
| Other payable  | 71,089                     | -                           | 71,089            | -                  |
| Salaries and benefits payable                            | 872,165                    | -                           | 872,165           | -                  |
| Due to other governments                                 | -                          | -                           | -                 | -                  |
| Accrued interest payable                                 | 2,206                      | -                           | 2,206             | -                  |
| Deferred revenue:  |                            |                             |                   |                    |
| Succeeding year property tax                             | 3,057,176                  | -                           | 3,057,176         | -                  |
| Long-term liabilities (note 4):                          |                            |                             |                   |                    |
| Portion due within one year:                             |                            |                             |                   |                    |
| Bonds payable  | 245,000                    | -                           | 245,000           | -                  |
| Early retirement   | 299,729                    | -                           | 299,729           | -                  |
| Compensated absences                                     | 72,738                     | -                           | 72,738            | -                  |
| Portion due after one year:                              |                            |                             |                   |                    |
| Bonds payable  | 750,000                    | -                           | 750,000           | -                  |
| Early retirement   | 1,281,757                  | -                           | 1,281,757         | -                  |
| <b>Total liabilities</b>                                 | <b>7,967,119</b>           | <b>-</b>                    | <b>7,967,119</b>  | <b>-</b>           |
| <b>Net assets</b>  |                            |                             |                   |                    |
| Invested in capital assets, net of related debt          | 3,898,276                  | 127,590                     | 4,025,866         | -                  |
| Restricted for:  |                            |                             |                   |                    |
| Management levy  | 182,071                    |                             | 182,071           | -                  |
| Debt service   | 12,352                     |                             | 12,352            | -                  |
| Physical plant and equipment levy                        | 101,115                    | -                           | 101,115           | -                  |
| Other special revenue purposes                           | 137,779                    | -                           | 137,779           | -                  |
| Unrestricted   | 425,658                    | 115,699                     | 541,357           | 22,734             |
| <b>Total net assets</b>                                  | <b>\$ 4,757,251</b>        | <b>243,289</b>              | <b>5,000,540</b>  | <b>22,734</b>      |

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

|   | Program Revenues     |                     |   |   |
|---|----------------------|---------------------|---|---|
|   | Expenses             | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs</b>                   |                      |                     |   |   |
| Governmental activities:                    |                      |                     |   |   |
| Instruction:                                |                      |                     |   |   |
| Regular instruction                         | \$ 4,589,929         | 509,005             | 760,112   | -   |
| Special instruction                         | 2,024,284            | 103,007             | 528,252   | -   |
| Other instruction                           | 1,027,281            | 226,175             | 49,799  | -   |
|   | <u>7,641,494</u>     | <u>838,187</u>      | <u>1,338,163</u>  | <u>-</u>  |
| Support Service:                            |                      |                     |   |   |
| Student services                            | 275,776              | -                   | -   | -   |
| Instructional staff services                | 288,288              | -                   | -   | -   |
| Administration services                     | 1,317,224            | -                   | -   | -   |
| Operating and maintenance of plant services | 614,122              | -                   | -   | -   |
| Transportation services                     | 608,253              | -                   | -   | -   |
|   | <u>3,103,663</u>     | <u>-</u>            | <u>-</u>  | <u>-</u>  |
| Non-instructional programs                  | <u>8,241</u>         | <u>-</u>            | <u>-</u>  | <u>-</u>  |
| Other expenditures:                         |                      |                     |   |   |
| Facilities acquisition                      | 967,657              | -                   | -   | 485,571   |
| Long-term debt interest                     | 28,697               | -                   | -   | -   |
| AEA flowthrough                             | 355,649              | -                   | 355,649   | -   |
|   | <u>1,352,003</u>     | <u>-</u>            | <u>355,649</u>  | <u>485,571</u>  |
| Total governmental activities               | <u>12,105,401</u>    | <u>838,187</u>      | <u>1,693,812</u>  | <u>485,571</u>  |
| Business type activities:                   |                      |                     |   |   |
| Non-instructional programs:                 |                      |                     |   |   |
| Nutrition services                          | 416,238              | 211,204             | 213,355   | -   |
|   | <u>416,238</u>       | <u>211,204</u>      | <u>213,355</u>  | <u>-</u>  |
| Total primary government                    | <u>\$ 12,521,639</u> | <u>1,049,391</u>    | <u>1,907,167</u>  | <u>485,571</u>  |
| Component Units:                            |                      |                     |   |   |
| Program expenses                            | \$ 63,122            | -                   | -   | -   |
| Management and general expenses             | 194                  | -                   | -   | -   |
| Fund raising expenses                       | 40,090               | -                   | 101,315   | -   |
| Total component units                       | <u>\$ 103,406</u>    | <u>-</u>            | <u>101,315</u>  | <u>-</u>  |



Exhibit B

| Net (Expense) Revenue and Changes in Net Assets |                             |             |                    |
|---|-----------------------------|-------------|--------------------|
| Governmental<br>Activities                      | Business-Type<br>Activities | Total       | Component<br>Units |
| (3,320,812)                                     | -                           | (3,320,812) | -                  |
| (1,393,025)                                     | -                           | (1,393,025) | -                  |
| (751,307)                                       | -                           | (751,307)   | -                  |
| (5,465,144)                                     | -                           | (5,465,144) | -                  |
| (275,776)                                       | -                           | (275,776)   | -                  |
| (288,288)                                       | -                           | (288,288)   | -                  |
| (1,317,224)                                     | -                           | (1,317,224) | -                  |
| (614,122)                                       | -                           | (614,122)   | -                  |
| (608,253)                                       | -                           | (608,253)   | -                  |
| (3,103,663)                                     | -                           | (3,103,663) | -                  |
| (8,241)   | -                           | (8,241)     | -                  |
| (482,086)                                       | -                           | (482,086)   | -                  |
| (28,697)  | -                           | (28,697)    | -                  |
| -   | -                           | -           | -                  |
| (510,783)                                       | -                           | (510,783)   | -                  |
| (9,087,831)                                     | -                           | (9,087,831) | -                  |
| -   | 8,321                       | 8,321       | -                  |
| -   | 8,321                       | 8,321       | -                  |
| (9,087,831)                                     | 8,321                       | (9,079,510) | -                  |
| -   | -                           | -           | (63,122)           |
| -   | -                           | -           | (194)              |
| -   | -                           | -           | 61,225             |
| -   | -                           | -           | (2,091)            |

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

|  | Program Revenues |                     |   |
|--|------------------|---------------------|---|
|  | Expenses         | Charges for Service | Operating Grants, Contributions and Restricted Interest |
|  |                  |                     | Capital Grants, Contributions and Restricted Interest   |
| <b>General Revenues:</b>                           |                  |                     |   |
| Totals from previous pages                         | \$ 12,521,639    | 1,049,391           | 1,907,167   |
| Property tax levied for:                           |                  |                     | 485,571   |
| General purposes                                   |                  |                     |   |
| Debt service                                       |                  |                     |   |
| Capital outlay                                     |                  |                     |   |
| Local option sales and services tax                |                  |                     |   |
| Unrestricted state grants                          |                  |                     |   |
| Unrestricted investment earnings                   |                  |                     |   |
| Other  |                  |                     |   |
| Gifts to Davis County Community School District    |                  |                     |   |
| Gain (loss) on sale of assets                      |                  |                     |   |
| Total general revenues                             |                  |                     |   |
| Change in net assets                               |                  |                     |   |
| Net assets beginning of year, as restated (note 9) |                  |                     |   |
| Net assets end of year                             |                  |                     |   |

See notes to financial statements.

Exhibit B

| Net (Expense) Revenue and Changes in Net Assets |                             |             |                    |
|---|-----------------------------|-------------|--------------------|
| Governmental<br>Activities                      | Business-Type<br>Activities | Total       | Component<br>Units |
| (9,087,831)                                     | 8,321                       | (9,079,510) | (2,091)            |
| 2,572,399                                       | -                           | 2,572,399   | -                  |
| 270,181   | -                           | 270,181     | -                  |
| 74,784  | -                           | 74,784      | -                  |
| 381,439   | -                           | 381,439     | -                  |
| 4,800,052                                       | -                           | 4,800,052   | -                  |
| 80,054  | 1,394                       | 81,448      | 157                |
| 317   | -                           | 317         | -                  |
| 16,641  | -                           | 16,641      | -                  |
| 249   | -                           | 249         | -                  |
| 8,196,116                                       | 1,394                       | 8,197,510   | 157                |
| (891,715)                                       | 9,715                       | (882,000)   | (1,934)            |
| 5,648,966                                       | 233,574                     | 5,882,540   | 24,668             |
| \$ 4,757,251                                    | 243,289                     | 5,000,540   | 22,734             |

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

|  | General             | Management     | Debt<br>Service | Capital<br>Projects |
|--|---------------------|----------------|-----------------|---------------------|
| <b>Assets and Other Debits</b>                   |                     |                |                 |                     |
| Cash and pooled investments                      | \$ 3,535,528        | 603,199        | 8,673           | 166,169             |
| Receivables:                                     |                     |                |                 |                     |
| Property tax:                                    |                     |                |                 |                     |
| Current year delinquent                          | 51,645              | 4,502          | 5,885           | -                   |
| Succeeding year                                  | 2,436,798           | 275,000        | 270,521         | -                   |
| Accounts   | 1,354               | -              | -               | -                   |
| Due from other governments                       | 80,908              | -              | -               | 155,673             |
| <b>Total assets and other debits</b>             | <b>\$ 6,106,233</b> | <b>882,701</b> | <b>285,079</b>  | <b>321,842</b>      |
| <b>Liabilities and Fund Balances</b>             |                     |                |                 |                     |
| Liabilities:                                     |                     |                |                 |                     |
| Excess of outstanding warrants over bank balance | \$ 717,874          | -              | -               | 56,221              |
| Accounts payable                                 | 228,154             | 125,901        | -               | 148,700             |
| Other payable (note 6)                           | 71,089              | -              | -               | -                   |
| Salaries and benefits payable                    | 872,165             | -              | -               | -                   |
| Early retirement payable (note 4)                | -                   | 299,729        | -               | -                   |
| Deferred revenue:                                |                     |                |                 |                     |
| Succeeding year property tax                     | 2,436,798           | 275,000        | 270,521         | -                   |
| Compensated absences                             | 72,738              | -              | -               | -                   |
| Total liabilities                                | 4,398,818           | 700,630        | 270,521         | 204,921             |
| Fund balances:                                   |                     |                |                 |                     |
| Reserved for:                                    |                     |                |                 |                     |
| Debt service                                     | -                   | -              | 14,558          | -                   |
| Unreserved:                                      |                     |                |                 |                     |
| Undesignated                                     | 1,707,415           | 182,071        | -               | 116,921             |
| Total fund balances                              | 1,707,415           | 182,071        | 14,558          | 116,921             |
| <b>Total liabilities and fund balances</b>       | <b>\$ 6,106,233</b> | <b>882,701</b> | <b>285,079</b>  | <b>321,842</b>      |

See notes to financial statements.

Exhibit C

| Nonmajor<br>Special<br>Revenue | Total     |
|--------------------------------|-----------|
| 238,303                        | 4,551,872 |
| 1,629                          | 63,661    |
| 74,857                         | 3,057,176 |
| -                              | 1,354     |
| 37,371                         | 273,952   |
| 352,160                        | 7,948,015 |

|         |           |
|---------|-----------|
| -       | 774,095   |
| 38,409  | 541,164   |
| -       | 71,089    |
| -       | 872,165   |
| -       | 299,729   |
| 74,857  | 3,057,176 |
| -       | 72,738    |
| 113,266 | 5,688,156 |

|         |           |
|---------|-----------|
| -       | 14,558    |
| 238,894 | 2,245,301 |
| 238,894 | 2,259,859 |
| 352,160 | 7,948,015 |

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2005

|  |              |
|--|--------------|
| <b>Total fund balances of governmental funds (Exhibit C)</b> | \$ 2,259,859 |
|--|--------------|

***Amounts reported for governmental activities in the statement of net assets are different because:***

|  |           |
|--|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 4,776,355 |
|--|-----------|

|   |   |
|---|---|
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | - |
|---|---|

|  |         |
|--|---------|
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (2,206) |
|--|---------|

|   |                    |
|---|--------------------|
| Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(2,276,757)</u> |
|---|--------------------|

|  |                            |
|--|----------------------------|
| <b>Net assets of governmental activities (Exhibit A)</b> | <u><u>\$ 4,757,251</u></u> |
|--|----------------------------|

See notes to financial statements.

**Davis County Community School District**

## Exhibit E

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2005

|   | General             | Management     | Debt<br>Service |
|---|---------------------|----------------|-----------------|
| Revenues:   |                     |                |                 |
| Local sources:  |                     |                |                 |
| Local tax   | \$ 2,366,887        | 205,512        | 270,181         |
| Tuition   | 560,369             | -              | -               |
| Other   | 120,822             | 1,305          | 287             |
| State sources   | 5,588,622           | -              | 248             |
| Federal sources   | 905,242             | -              | -               |
| Total revenues  | <u>9,541,942</u>    | <u>206,817</u> | <u>270,716</u>  |
| Expenditures:   |                     |                |                 |
| Current:  |                     |                |                 |
| Instruction:  |                     |                |                 |
| Regular instruction                                       | 3,747,891           | 313,237        | -               |
| Special instruction                                       | 2,012,697           | -              | -               |
| Other instruction   | 763,636             | -              | -               |
|   | <u>6,524,224</u>    | <u>313,237</u> | <u>-</u>        |
| Support services:   |                     |                |                 |
| Student services  | 275,258             | -              | -               |
| Instructional staff services                              | 270,315             | -              | -               |
| Administration services                                   | 1,036,221           | 228,230        | -               |
| Operation and maintenance of plant services               | 572,977             | 5,767          | -               |
| Transportation services                                   | 604,023             | 15,880         | -               |
|   | <u>2,758,794</u>    | <u>249,877</u> | <u>-</u>        |
| Non-instructional programs                                | <u>-</u>            | <u>8,241</u>   | <u>-</u>        |
| Other expenditures:                                       |                     |                |                 |
| Facilities acquisition                                    | -                   | -              | -               |
| Long-term debt:   |                     |                |                 |
| Principal   | -                   | -              | 240,000         |
| Interest and fiscal charges                               | -                   | -              | 29,990          |
| AEA flowthrough   | 355,649             | -              | -               |
|   | <u>355,649</u>      | <u>-</u>       | <u>269,990</u>  |
| Total expenditures  | <u>9,638,667</u>    | <u>571,355</u> | <u>269,990</u>  |
| Excess (deficiency) of revenues over (under) expenditures | (96,725)            | (364,538)      | 726             |
| Other financing sources (uses):                           |                     |                |                 |
| Operating transfers in                                    | -                   | -              | -               |
| Operating transfers out                                   | (383,928)           | -              | -               |
| Sale of equipment   | 249                 | -              | -               |
| Total other financing sources (uses)                      | <u>(383,679)</u>    | <u>-</u>       | <u>-</u>        |
| Net change in fund balances                               | (480,404)           | (364,538)      | 726             |
| Fund balances beginning of year                           | <u>2,187,819</u>    | <u>546,609</u> | <u>13,832</u>   |
| Fund balances end of year                                 | <u>\$ 1,707,415</u> | <u>182,071</u> | <u>14,558</u>   |

See notes to financial statements.



Exhibit E

| Capital<br>Projects | Nonmajor<br>Special<br>Revenue | Total      |
|---------------------|--------------------------------|------------|
| 381,439             | 74,784                         | 3,298,803  |
| -                   | -                              | 560,369    |
| 10,457              | 241,642                        | 374,513    |
| -                   | 69                             | 5,588,939  |
| 448,200             | 37,371                         | 1,390,813  |
| 840,096             | 353,866                        | 11,213,437 |
| -                   | -                              | 4,061,128  |
| -                   | -                              | 2,012,697  |
| -                   | 248,022                        | 1,011,658  |
| -                   | 248,022                        | 7,085,483  |
| -                   | -                              | 275,258    |
| -                   | -                              | 270,315    |
| -                   | -                              | 1,264,451  |
| -                   | 38,680                         | 617,424    |
| -                   | -                              | 619,903    |
| -                   | 38,680                         | 3,047,351  |
| -                   | -                              | 8,241      |
| 1,107,103           | 62,869                         | 1,169,972  |
| -                   | -                              | 240,000    |
| -                   | -                              | 29,990     |
| -                   | -                              | 355,649    |
| 1,107,103           | 62,869                         | 1,795,611  |
| 1,107,103           | 349,571                        | 11,936,686 |
| (267,007)           | 4,295                          | (723,249)  |
| 383,928             | -                              | 383,928    |
| -                   | -                              | (383,928)  |
| -                   | -                              | 249        |
| 383,928             | -                              | 249        |
| 116,921             | 4,295                          | (723,000)  |
| -                   | 234,599                        | 2,982,859  |
| 116,921             | 238,894                        | 2,259,859  |

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2005

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (723,000)

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

|                      |                  |        |
|----------------------|------------------|--------|
| Capital outlays      | \$ 324,810       |        |
| Depreciation expense | <u>(262,783)</u> | 62,027 |

Certain delinquent property tax not collected for several months after year end is not considered available revenue in the governmental funds and is deferred. It is recorded as revenue in the Statement of Activities.

-

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

240,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,293

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

|                  |  |           |
|------------------|--|-----------|
| Early retirement |  | (472,035) |
|------------------|--|-----------|

Proceeds of long-term debt provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets.

-

|  |  |                                   |
|--|--|-----------------------------------|
| <b>Change in net assets of governmental activities (Exhibit B)</b> |  | <b><u><u>\$ (891,715)</u></u></b> |
|--|--|-----------------------------------|

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year ended June 30, 2005

|                              | <u>School<br/>Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenue:           |                             |
| Local sources:               |                             |
| Charges for service          | <u>\$ 211,204</u>           |
| Operating expenses:          |                             |
| Non-instructional programs:  |                             |
| Food service operations:     |                             |
| Salaries and benefits        | 133,981                     |
| Benefits                     | 31,485                      |
| Purchased services           | 6,804                       |
| Supplies                     | 229,601                     |
| Depreciation                 | 14,367                      |
| Total operating expenses     | <u>416,238</u>              |
| Operating loss               | <u>(205,034)</u>            |
| Non-operating revenues:      |                             |
| Interest income              | 1,394                       |
| State sources                | 6,418                       |
| Federal sources              | 206,937                     |
|                              | <u>214,749</u>              |
| Changes in net assets        | 9,715                       |
| Net assets beginning of year | <u>233,574</u>              |
| Net assets end of year       | <u><u>\$ 243,289</u></u>    |

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year Ended June 30, 2005

|  | School<br>Nutrition        |
|--|----------------------------|
| Cash flows from operating activities:  |                            |
| Cash received from sale of lunches and breakfasts  | \$ 205,670                 |
| Cash received from miscellaneous operating activities  | 5,534                      |
| Cash payments to employees for services  | (167,221)                  |
| Cash payments to suppliers for goods or services   | (205,130)                  |
| Net cash used in operating activities  | <u>(161,147)</u>           |
| Cash flows from non-capital financing activities:  |                            |
| State grants received  | 6,418                      |
| Federal grants received  | 154,843                    |
| Net cash provided by non-capital financing activities  | <u>161,261</u>             |
| Cash flows from capital and related financing activities:  |                            |
| Acquisition of capital assets  | <u>(73,778)</u>            |
| Cash flows from investing activities:  |                            |
| Sale of investments  | 74,358                     |
| Interest on investments  | 1,394                      |
| Net cash used in investing activities  | <u>75,752</u>              |
| Net increase in cash and cash equivalents  | 2,088                      |
| Cash and cash equivalents at beginning of year   | <u>4,187</u>               |
| Cash and cash equivalents at end of year   | <u><u>\$ 6,275</u></u>     |
| <b>Reconciliation of operating loss to net cash used by operating activities:</b>  |                            |
| Operating loss   | \$ (205,034)               |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities:                                       |                            |
| Commodities used   | 31,191                     |
| Depreciation   | 14,367                     |
| Decrease in inventories  | 347                        |
| (Decrease) in accounts payable   | (263)                      |
| (Decrease) in salaries and benefits payable  | (1,755)                    |
| Net cash used in operating activities  | <u><u>\$ (161,147)</u></u> |
| <b>Reconciliation of cash and cash equivalents at year end to<br/>specific assets included on Statement of Net Assets:</b> |                            |
| Current assets:  |                            |
| Cash and investments   | \$ 73,810                  |
| Less items not meeting definition of cash equivalent:  |                            |
| Iowa Schools Joint Investment Trust  | <u>(67,535)</u>            |
| Cash and cash equivalents at year end  | <u><u>\$ 6,275</u></u>     |
| <b>Non-cash investing, capital and financing activities:</b>   |                            |
| During the year ended June 30, 2005, the District received federal commodities valued<br>at \$31,191.                      |                            |

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2005

|                             | <u>Expendable<br/>Trust Fund</u> |
|-----------------------------|----------------------------------|
| <b>Assets</b>               |                                  |
| Cash and pooled investments | <u>\$ 13,147</u>                 |
| <b>Total assets</b>         | <u>\$ 13,147</u>                 |
| <b>Net Assets</b>           |                                  |
| Reserved for scholarships   | <u>\$ 13,147</u>                 |

See notes to financial statements

Exhibit J

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
Year Ended June 30, 2005

|                              |                                  |
|------------------------------|----------------------------------|
| Additions:                   |                                  |
| Local sources:               |                                  |
| Interest on investments      | <u>\$          136</u>           |
| Deductions:                  |                                  |
| Non-instructional services   |                                  |
| Services                     | <u>                100</u>       |
| Change in net assets         | 36                               |
| Net assets beginning of year | <u>                13,111</u>    |
| Net assets end of year       | <u><u>\$          13,147</u></u> |

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - COMPONENT UNITS  
June 30, 2005

|                             | Partners in<br>Education | Davis County<br>Music Boosters | Total  |
|-----------------------------|--------------------------|--------------------------------|--------|
| <b>Assets</b>               |                          |                                |        |
| Cash and pooled investments | \$ 12,734                | 10,000                         | 22,734 |
| <b>Total assets</b>         | 12,734                   | 10,000                         | 22,734 |
| <b>Net assets</b>           |                          |                                |        |
| Unrestricted                | 12,734                   | 10,000                         | 22,734 |
| <b>Total net assets</b>     | \$ 12,734                | 10,000                         | 22,734 |

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - COMPONENT UNITS  
June 30, 2005

|  | Partners in<br>Education | Davis County<br>Music Boosters | Total   |
|--|--------------------------|--------------------------------|---------|
| Operating revenues:                                |                          |                                |         |
| Contributions                                      | \$ -                     | -                              | -       |
| Membership dues                                    | -                        | -                              | -       |
| Grants   | -                        | -                              | -       |
| Fund raisers                                       | 56,100                   | 45,215                         | 101,315 |
| Total operating revenues                           | 56,100                   | 45,215                         | 101,315 |
| Operating expenses:                                |                          |                                |         |
| Program expenses                                   | 9,240                    | 53,882                         | 63,122  |
| Management and general expenses                    | 67                       | 127                            | 194     |
| Fund raising expenses                              | 38,192                   | 1,898                          | 40,090  |
| Total operating expenses                           | 47,499                   | 55,907                         | 103,406 |
| Operating income (loss)                            | 8,601                    | (10,692)                       | (2,091) |
| Non-operating revenues:                            |                          |                                |         |
| Interest income                                    | -                        | 157                            | 157     |
| Net non-operating revenues                         | -                        | 157                            | 157     |
| Changes in net assets                              | 8,601                    | (10,535)                       | (1,934) |
| Net assets beginning of year, as restated (note 9) | 4,133                    | 20,535                         | 24,668  |
| Net assets end of year                             | \$ 12,734                | 10,000                         | 22,734  |

See notes to financial statements.



# DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### (1) Summary of Significant Accounting Policies

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These financial statements present Davis County Community School District (the primary government) and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

#### Discrete Component Units

Partners in Education is a legally separate not-for-profit entity. Partners in Education was established for the purpose of providing additional educational and recreational services and facilities for the benefit of Davis County Community School District. Although the District does not control the timing or amount of receipts from Partners in Education, the majority of the resources that are held are used for the benefit of Davis County Community School District.

Davis County Music Boosters is a legally separate not-for-profit entity. Davis County Music Boosters was established for the purpose of enhancing band and vocal music programs for the Davis County Community School District. Although the District does not control the timing or amount of receipts from the Music Boosters, the majority of the resources that are held are used for the benefit of Davis County Community School District.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items.

## DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

# DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 2,000      |
| Buildings                         | 10,000        |
| Improvements other than buildings | 3,000         |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 300           |
| Other furniture and equipment     | 2,500         |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------------------|--|
| Buildings                         | 50 years   |
| Improvements other than buildings | 20-50 years                                      |
| Furniture and equipment           | 5-15 years                                       |

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

|   |                    |
|---|--------------------|
| Diversified Portfolio                   | \$2,940,863        |
| Direct Government Obligations Portfolio | -                  |
| Total                                   | <u>\$2,940,863</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

|  | Balance Beginning<br>of Year, as restated<br>(note 9) | Increases | Decreases | Balance End of<br>Year |
|--|---|-----------|-----------|------------------------|
| <b>Governmental activities:</b>              |   |           |           |                        |
| Capital assets not being depreciated:        |   |           |           |                        |
| Land   | \$ 107,275  | -         | -         | 107,275                |
| Construction in progress                     | 80,866  | 283,181   | 80,866    | 283,181                |
| Total capital assets not being depreciated   | 188,141   | 283,181   | 80,866    | 390,456                |
| Capital assets being depreciated:            |   |           |           |                        |
| Buildings                                    | 5,740,475   | -         | -         | 5,740,475              |
| Improvements other than buildings            | 1,520,961   | -         | -         | 1,520,961              |
| Furniture and equipment                      | 1,569,044   | 122,495   | 33,234    | 1,658,305              |
| Total capital assets being depreciated       | 8,830,480   | 122,495   | 33,234    | 8,919,741              |
| Less accumulated depreciation for:           |   |           |           |                        |
| Buildings                                    | 2,276,013   | 111,110   | -         | 2,387,123              |
| Improvements other than buildings            | 703,111   | 64,967    | -         | 768,078                |
| Furniture and equipment                      | 1,325,169   | 86,706    | 33,234    | 1,378,641              |
| Total accumulated depreciation               | 4,304,293   | 262,783   | 33,234    | 4,533,842              |
| Total capital assets being depreciated, net  | 4,526,187   | (140,288) | -         | 4,385,899              |
| Governmental activities capital assets, net  | \$ 4,714,328  | 142,893   | 80,866    | 4,776,355              |
| <b>Business type activities:</b>             |   |           |           |                        |
| Furniture and equipment                      | \$ 143,824  | 73,778    | -         | 217,602                |
| Less accumulated depreciation                | 75,645  | 14,367    | -         | 90,012                 |
| Business type activities capital assets, net | \$ 68,179   | 59,411    | -         | 127,590                |

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

|         |            |
|---------|------------|
| Regular | \$ 127,553 |
| Special | 11,587     |
| Other   | 15,623     |

Support services:

|                                    |         |
|------------------------------------|---------|
| Student                            | 518     |
| Instructional staff                | 17,973  |
| Administration                     | 11,847  |
| Operation and maintenance of plant | 5,198   |
| Transportation                     | 72,484  |
|                                    | 262,783 |

Unallocated

|  |            |
|--|------------|
| Total depreciation expense - governmental activities | \$ 262,783 |
|--|------------|

Business type activities:

|                         |           |
|-------------------------|-----------|
| Food service operations | \$ 14,367 |
|-------------------------|-----------|

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**(4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

|                          | Balance<br>Beginning<br>of Year | Additions      | Reductions     | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|----------------|----------------|---------------------------|---------------------------|
| General obligation bonds | \$ 1,235,000                    | -              | 240,000        | 995,000                   | 245,000                   |
| Early retirement         | 983,653                         | 888,009        | 290,176        | 1,581,486                 | 299,729                   |
|                          | <u>\$ 2,218,653</u>             | <u>888,009</u> | <u>530,176</u> | <u>2,576,486</u>          | <u>544,729</u>            |

Early Retirement

The District offered a voluntary early retirement plan for all employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 allowed the District to pay the retiree a monthly payment beginning the first month of retirement and continuing to a maximum of 120 months. Such money payment was to be in an amount equal to .010 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. Option 2 allowed the retiree to continue in the District's group health insurance covering the employee at the time of their retirement through the month in which the retiree attained 65 years of age. Early retirement benefits paid during the year ended June 30, 2005, totaled \$290,176. This program expired after the 2003-04 fiscal year and has not been renewed.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

| Bond Issue of May 1, 2003 |                |                   |               |                  |
|---------------------------|----------------|-------------------|---------------|------------------|
| Year Ending<br>June 30,   | Interest Rates | Principal         | Interest      | Total            |
| 2006                      | 2.00/2.25%     | 245,000           | 25,220        | 270,220          |
| 2007                      | 2.45/2.65%     | 245,000           | 19,739        | 264,739          |
| 2008                      | 2.80/2.90%     | 250,000           | 13,277        | 263,277          |
| 2009                      | 3.05/3.15%     | 255,000           | 5,920         | 260,920          |
| Total                     |                | <u>\$ 995,000</u> | <u>64,156</u> | <u>1,059,156</u> |

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306 9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$374,895, \$360,576, \$337,275, respectively, equal to the required contributions for each year.



DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**(6) Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July, 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July, 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December, 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December, 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$142,177. The District is contesting this assessment and the matter has been scheduled for mediation. The District estimates the final settlement will amount to half of the assessment and has recorded that amount as a liability as of June 30, 2005.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$355,649 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Construction Commitment**

The District has entered into contracts totaling \$613,891 for improvements to district facilities. As of June 30, 2005, costs of \$283,181 had been incurred against the contracts. The balance of \$330,710 remaining at June 30, 2005 will be paid as work progresses on the projects.

**(9) Restatements**

Changes to the reporting of component units include the deletion of the Davis County A Club and a \$10,703 increase to the beginning balance of the Davis County Music Boosters.

### **Required Supplementary Information**

**Davis County Community School District**

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2005

|   | Governmental<br>Funds-Actual | Proprietary<br>Fund-Actual |
|---|------------------------------|----------------------------|
| Revenues:   |                              |                            |
| Local sources   | \$ 4,233,685                 | 212,598                    |
| State sources   | 5,588,939                    | 6,418                      |
| Federal sources   | 1,390,813                    | 206,937                    |
| Total revenues  | <u>11,213,437</u>            | <u>425,953</u>             |
| Expenditures/expenses:  |                              |                            |
| Instruction   | 7,085,483                    | -                          |
| Support services  | 3,047,351                    | -                          |
| Noninstructional programs   | 8,241                        | 416,238                    |
| Other expenditures  | 1,795,611                    | -                          |
| Total expenditures/expenses   | <u>11,936,686</u>            | <u>416,238</u>             |
| Excess (deficiency) of revenues over<br>(under) expenditures                                      | (723,249)                    | 9,715                      |
| Other financing sources:  |                              |                            |
| Sale of equipment   | <u>249</u>                   | -                          |
| Excess (deficiency) of revenues and other financing sources<br>over (under) expenditures/expenses | (723,000)                    | 9,715                      |
| Balance beginning of year   | <u>2,982,859</u>             | <u>233,574</u>             |
| Balance end of year   | <u><u>\$ 2,259,859</u></u>   | <u><u>243,289</u></u>      |

See accompanying independent auditor's report.

| Total Actual | Budgeted<br>Amounts | Variance<br>Favorable<br>(Unfavorable) | Total as % of<br>Budget |
|--------------|---------------------|--|-------------------------|
| 4,446,283    | 4,246,266           | 200,017                                | 105%                    |
| 5,595,357    | 5,903,180           | (307,823)                              | 95%                     |
| 1,597,750    | 1,662,330           | (64,580)                               | 96%                     |
| 11,639,390   | 11,811,776          | (172,386)                              | 99%                     |

|            |            |           |      |
|------------|------------|-----------|------|
| 7,085,483  | 8,190,000  | 1,104,517 | 87%  |
| 3,047,351  | 3,563,930  | 516,579   | 86%  |
| 424,479    | 378,300    | (46,179)  | 112% |
| 1,795,611  | 1,662,787  | (132,824) | 108% |
| 12,352,924 | 13,795,017 | 1,442,093 | 90%  |

(713,534) (1,983,241)

|     |   |
|-----|---|
| 249 | - |
|-----|---|

(713,285) (1,983,241)

|           |           |
|-----------|-----------|
| 3,216,433 | 3,435,674 |
|-----------|-----------|

|           |           |
|-----------|-----------|
| 2,503,148 | 1,452,433 |
|-----------|-----------|

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the non-instructional and other expenditures functions exceeded the amounts budgeted.

### **Other Supplementary Information**

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2005

|  | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | 67.5 cent<br>Schoolhouse<br>Levy | Total          |
|--|---------------------|--|----------------------------------|----------------|
| <b>Assets</b>                            |                     |  |                                  |                |
| Cash and pooled investments              | \$ 132,076          | 97,296                                     | 8,931                            | 238,303        |
| Receivables:                             |                     |  |                                  |                |
| Property tax:                            |                     |  |                                  |                |
| Current year delinquent                  | -                   | 1,629                                      | -                                | 1,629          |
| Succeeding year                          | -                   | 74,857                                     | -                                | 74,857         |
| Accounts                                 | -                   | 37,371                                     | -                                | 37,371         |
| <b>Total assets</b>                      | <b>\$ 132,076</b>   | <b>211,153</b>                             | <b>8,931</b>                     | <b>352,160</b> |
| <b>Liabilities and Fund Equity</b>       |                     |  |                                  |                |
| Liabilities:                             |                     |  |                                  |                |
| Accounts payable                         | \$ -                | 35,181                                     | 3,228                            | 38,409         |
| Deferred revenue:                        |                     |  |                                  |                |
| Succeeding year property tax             | -                   | 74,857                                     | -                                | 74,857         |
| Total liabilities                        | -                   | 110,038                                    | 3,228                            | 113,266        |
| Fund equity:                             |                     |  |                                  |                |
| Fund balances:                           |                     |  |                                  |                |
| Unreserved, undesignated<br>fund balance | 132,076             | 101,115                                    | 5,703                            | 238,894        |
| <b>Total liabilities and fund equity</b> | <b>\$ 132,076</b>   | <b>211,153</b>                             | <b>8,931</b>                     | <b>352,160</b> |

See accompanying independent auditor's report.



## Schedule 2

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2005

|  | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | 67.5 Cent<br>Schoolhouse<br>Levy | Total   |
|--|---------------------|--|----------------------------------|---------|
| Revenues:  |                     |  |                                  |         |
| Local sources:   |                     |  |                                  |         |
| Local tax  | \$ -                | 74,784                                     | -                                | 74,784  |
| Other  | 240,180             | 1,176                                      | 286                              | 241,642 |
| State sources  | -                   | 69   | -                                | 69      |
| Federal sources  | -                   | 37,371                                     | -                                | 37,371  |
| Total revenues   | 240,180             | 113,400                                    | 286                              | 353,866 |
| Expenditures:  |                     |  |                                  |         |
| Current  |                     |  |                                  |         |
| Instruction:   |                     |  |                                  |         |
| Other instruction  | 248,022             | -  | -                                | 248,022 |
| Support services:  |                     |  |                                  |         |
| Operation and maintenance<br>of plant services               | -                   | 38,680                                     | -                                | 38,680  |
| Other expenditures:  |                     |  |                                  |         |
| Facilities acquisition                                       | -                   | 58,400                                     | 4,469                            | 62,869  |
| Total expenditures   | 248,022             | 97,080                                     | 4,469                            | 349,571 |
| Excess (deficiency) of revenues over<br>(under) expenditures | (7,842)             | 16,320                                     | (4,183)                          | 4,295   |
| Fund balance beginning of year                               | 139,918             | 84,795                                     | 9,886                            | 234,599 |
| Fund balance end of year                                     | \$ 132,076          | 101,115                                    | 5,703                            | 238,894 |

See accompanying independent auditor's report.

## DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2005

| Account                     | Balance<br>Beginning of<br>Year | Revenues | Expenditures | Balance End<br>of Year |
|-----------------------------|---------------------------------|----------|--------------|------------------------|
| Senior High                 |                                 |          |              |                        |
| Yearbook                    | \$ 11,480                       | 5,596    | 5,559        | 11,517                 |
| Concessions                 | -                               | 11,258   | 10,606       | 652                    |
| Mustang Pride               | 119                             | 75       | 116          | 78                     |
| Athletics                   | 19,796                          | 46,252   | 51,993       | 14,055                 |
| Football                    | 2,337                           | 3,490    | 5,688        | 139                    |
| Baseball                    | 3,613                           | 6,011    | 6,973        | 2,651                  |
| Boys' Track                 | 981                             | 10       | 474          | 517                    |
| Wrestling                   | 2,106                           | 3,719    | 809          | 5,016                  |
| Cross Country               | 3,264                           | 598      | 1,129        | 2,733                  |
| Girls' Basketball           | 5,639                           | 458      | 5,899        | 198                    |
| Special Olympics            | 1,230                           | -        | -            | 1,230                  |
| Boys' Basketball            | 4,030                           | (17)     | 1,506        | 2,507                  |
| Girls' Softball             | 2,111                           | 2,372    | 3,594        | 889                    |
| Girls' Track                | 748                             | 816      | 1,296        | 268                    |
| Girls' Volleyball           | 1,531                           | 1,707    | 961          | 2,277                  |
| Instrumental Music          | 526                             | 13,657   | 12,918       | 1,265                  |
| Soda                        | 748                             | 827      | 765          | 810                    |
| Vocal Music                 | 2,231                           | 3,374    | 2,462        | 3,143                  |
| Drama and Speech            | 668                             | 299      | 515          | 452                    |
| 3 Act Play                  | -                               | 527      | 164          | 363                    |
| Fut. Farmers of Amer.       | 3,390                           | 20,774   | 19,369       | 4,795                  |
| Quiz Bowl                   | 82                              | -        | 60           | 22                     |
| Nat'l Honor Soc.            | 782                             | 187      | 403          | 566                    |
| Pep Club                    | 2,279                           | 13,200   | 12,229       | 3,250                  |
| Spanish Club                | 158                             | 2,866    | 2,201        | 823                    |
| Student Council             | 311                             | 210      | 116          | 405                    |
| Art Club                    | 841                             | 6,005    | 6,723        | 123                    |
| Girls' Tennis               | 893                             | 628      | 345          | 1,176                  |
| Boys' Tennis                | 285                             | 814      | 628          | 471                    |
| Class of 2005               | 2,878                           | 194      | 2,864        | 208                    |
| Class of 2006               | 657                             | 12,483   | 6,240        | 6,900                  |
| Class of 2007               | 208                             | 195      | -            | 403                    |
| Class of 2008               | 474                             | 164      | 164          | 474                    |
| Class of 2009               | 116                             | -        | -            | 116                    |
| Future Educators of America | 644                             | 332      | 122          | 854                    |
| Girls' Golf                 | 246                             | 51       | 144          | 153                    |
| Octagon Club                | 645                             | 160      | 1            | 804                    |
| High School Academics       | 7,162                           | 13,222   | 20,378       | 6                      |
| HS/MS Academics             | -                               | 5,689    | 4,098        | 1,591                  |
| HS Miscellaneous            | -                               | 706      | 328          | 378                    |
| Home Economics              | 370                             | 3,165    | 3,175        | 360                    |
| Guidance                    | 266                             | 1,891    | 2,156        | 1                      |
| Boys' Golf                  | 1,689                           | 419      | 925          | 1,183                  |
| Subtotal                    | 87,534                          | 184,384  | 196,096      | 75,822                 |

## DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2005

| Account                  | Balance<br>Beginning of<br>Year | Revenues | Expenditures | Balance End<br>of Year |
|--------------------------|---------------------------------|----------|--------------|------------------------|
| Middle School            |                                 |          |              |                        |
| Athletics                | 7,059                           | 6,482    | 8,194        | 5,347                  |
| Vocal Music              | 6,352                           | 3,538    | 4,687        | 5,203                  |
| Instrumental Music       | 948                             | (546)    | 58           | 344                    |
| Student Council          | 1,959                           | 6,779    | 5,022        | 3,716                  |
| Yearbook                 | 4,605                           | 3,277    | 2,257        | 5,625                  |
| Paper and Pen            | 394                             | -        | -            | 394                    |
| 7th/8th Football         | 4                               | -        | -            | 4                      |
| 7th/8th Girls Basketball | 773                             | -        | 79           | 694                    |
| 7th/8th Boys' Basketball | 136                             | -        | 48           | 88                     |
| 7th/8th Wrestling        | -                               | 311      | 311          | -                      |
| Cross Country            | 150                             | -        | -            | 150                    |
| Girls' Track             | 129                             | -        | -            | 129                    |
| 8th Volleyball           | 702                             | -        | 216          | 486                    |
| Student Council Pop Cans | 108                             | 537      | 98           | 547                    |
| Middle School Academics  | 11,971                          | 27,051   | 24,762       | 14,260                 |
| Gifted/Talented          | 197                             | 1,152    | 620          | 729                    |
| Subtotal                 | 35,487                          | 48,581   | 46,352       | 37,716                 |
| Bloomfield Elementary    |                                 |          |              |                        |
| Academics                | 16,897                          | 6,946    | 5,574        | 18,269                 |
| Elementary Pop           | -                               | 230      | -            | 230                    |
| Interest                 | -                               | 39       | -            | 39                     |
| Subtotal                 | 16,897                          | 7,215    | 5,574        | 18,538                 |
| Total                    | \$ 139,918                      | 240,180  | 248,022      | 132,076                |

See accompanying independent auditor's report.

## Schedule 4

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

|   | Modified Accrual Basis |                  |                  |                  |
|---|------------------------|------------------|------------------|------------------|
|   | 2005                   | 2004             | 2003             | 2002             |
| Revenues:                                   |                        |                  |                  |                  |
| Local sources:                              |                        |                  |                  |                  |
| Local tax                                   | \$ 3,298,803           | 2,868,349        | 2,905,572        | 2,890,837        |
| Tuition                                     | 560,369                | 426,545          | 369,288          | 281,188          |
| Other                                       | 374,513                | 370,043          | 347,262          | 412,444          |
| Intermediate sources                        | -                      | -                | -                | -                |
| State sources                               | 5,588,939              | 5,174,073        | 5,290,080        | 5,243,622        |
| Federal sources                             | 1,390,813              | 649,006          | 673,138          | 484,832          |
| Total                                       | <u>\$ 11,213,437</u>   | <u>9,488,016</u> | <u>9,585,340</u> | <u>9,312,923</u> |
| Expenditures:                               |                        |                  |                  |                  |
| Instruction:                                |                        |                  |                  |                  |
| Regular instruction                         | \$ 4,061,128           | 3,836,553        | 3,514,299        | 3,443,224        |
| Special instruction                         | 2,012,697              | 1,783,994        | 1,579,726        | 1,518,410        |
| Other instruction                           | 1,011,658              | 806,413          | 816,751          | 726,947          |
| Support services:                           |                        |                  |                  |                  |
| Student services                            | 275,258                | 229,569          | 190,222          | 209,942          |
| Instructional staff services                | 270,315                | 263,706          | 231,455          | 300,584          |
| Administration services                     | 1,264,451              | 990,996          | 943,032          | 968,571          |
| Operation and maintenance of plant services | 617,424                | 605,722          | 565,106          | 589,564          |
| Transportation services                     | 619,903                | 597,750          | 534,063          | 622,570          |
| Community service operations                | -                      | -                | -                | -                |
| Food service operations                     | 8,241                  | 8,055            | 9,300            | 8,308            |
| Non-instructional programs                  |                        |                  |                  |                  |
| Other expenditures:                         |                        |                  |                  |                  |
| Facilities acquisition                      | 1,169,972              | 214,957          | 31,572           | 18,250           |
| Long-term debt:                             |                        |                  |                  |                  |
| Principal                                   | 240,000                | 240,000          | 205,000          | 205,000          |
| Interest and other charges                  | 29,990                 | 36,070           | 77,360           | 84,898           |
| AEA flowthrough                             | 355,649                | 342,137          | 367,023          | 366,645          |
| Total                                       | <u>\$ 11,936,686</u>   | <u>9,955,922</u> | <u>9,064,909</u> | <u>9,062,913</u> |

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2005

| <u>Grantor/Program</u>   | <u>CFDA<br/>Number</u> | <u>Grant<br/>Number</u> | <u>Expenditures</u> |
|--|------------------------|-------------------------|---------------------|
| Indirect:  |                        |                         |                     |
| U.S. Department of Agriculture:  |                        |                         |                     |
| Iowa Department of Education   |                        |                         |                     |
| Food Distribution (non cash)   | 10.550                 | FY 05                   | \$ 31,192           |
| School Nutrition Cluster Programs:                                       |                        |                         |                     |
| School Breakfast Program   | 10.553                 | FY 05                   | 24,592              |
| National School Lunch Program  | 10.555                 | FY 05                   | 151,154             |
|  |                        |                         | <u>175,746</u>      |
| U.S. Department of Education:  |                        |                         |                     |
| Iowa Department of Education:  |                        |                         |                     |
| Title I Grants to Local Educational Agencies                             | 84.010                 | 1619-GC-05              | 3,274               |
| Title I Grants to Local Educational Agencies                             | 84.010                 | 1619-G-05               | 315,165             |
|  |                        |                         | <u>318,439</u>      |
| Vocational Education - Basic Grants to States                            | 84.048A                | FY 05                   | 36,100              |
| Improving Teacher Quality State Grants                                   | 84.367                 | FY 05                   | 95,503              |
| State Grants for Innovative Programs (Title V Program)                   | 84.298A                | FY 05                   | 6,406               |
| Safe and Drug-Free Schools and Communities - State Grants                | 84.186A                | FY 05                   | 10,472              |
| Reading First State Grants   | 84.357                 | FY 05                   | 174,991             |
| Grants for State Assessments and Related Activities (Title VI A Program) | 84.369                 | FY 05                   | 7,488               |
| Iowa Demonstration Construction Grant                                    | 84.215                 | FY 05                   | 448,200             |
| Fund for the Improvement of Education(Fire Safety Grant)                 | 84.215                 | FY 05                   | 30,563              |
|  |                        |                         | <u>478,763</u>      |
| Area Education Agency:   |                        |                         |                     |
| Special Education - Grants to States (Learning Supports)                 | 84.027                 | FY 05                   | 1,544               |
| Special Education - Grants to States (IDEA Part B)                       | 84.027                 | FY 05                   | 45,937              |
|  |                        |                         | <u>47,481</u>       |
| Total  |                        |                         | <u>\$ 1,382,581</u> |

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

See accompanying independent auditor's report.

**Davis County Community School District**

**Van Maanen  
& ASSOCIATES, P.C.**

**Certified Public Accountants**

705 Main St.  
Pella, IA 50219  
641-628-3737

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Davis County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Davis County Community School District, Bloomfield, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions as defined above.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Van Maanen & Associates, P.C.".

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 9, 2005



**Van Maanen  
& ASSOCIATES, P.C.**

**Certified Public Accountants**

705 Main St.  
Pella, IA 50219  
641-628-3737

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Davis County Community School District:

Compliance

We have audited the compliance of Davis County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County Community School District's management. Our responsibility is to express an opinion on Davis County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

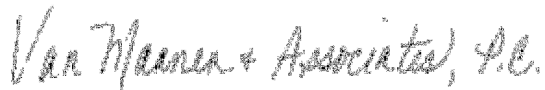
Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Davis County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted no matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Davis County Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving the internal control and its operation that we consider to be a material weakness as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Van Maanen & Associates, P.C.".

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 9, 2005

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED June 30, 2005

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any reportable conditions in internal control over financial reporting.
- ©) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - CFDA Number 84.215 - Iowa Demonstration Construction Grant
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) Davis County Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

No matters were noted.

**Part IV: Other Findings Related to Statutory Reporting:**

|         |  |
|---------|--|
| IV-A-05 | <u>Official Depositories</u> - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005. |
|---------|--|

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED June 30, 2005

- IV-B-05      Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the certified budget amount in the non-instructional and other expenditures functions.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa Before disbursements were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-C-05      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-05      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-05      Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-F-05      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-G-05      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-05      Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-05      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-05      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.